

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Product Prices
Priority Mail & First-Class Package Service
Priority Mail & First-Class Package Service
Contract 1

Docket No. MC2013-5

Competitive Product Prices
Priority Mail & First-Class Package Service
Contract 1 (MC2013-5)
Negotiated Service Agreement

Docket No. CP2013-5

NOTICE AND ORDER CONCERNING ADDITION OF
PRIORITY MAIL & FIRST-CLASS PACKAGE SERVICE CONTRACT 1
TO THE COMPETITIVE PRODUCT LIST

(Issued October 19, 2012)

I. INTRODUCTION

In accordance with 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, the Postal Service filed a formal request and associated supporting information to add Priority Mail

& First-Class Package Service Contract 1 to the competitive product list.¹ The Postal Service asserts that Priority Mail & First-Class Package Service Contract 1 is a competitive product “not of general applicability” within the meaning of 39 U.S.C. 3632(b)(3). Request at 1. The Request has been assigned Docket No. MC2013-5.

The Postal Service contemporaneously filed a redacted contract related to the proposed new product under 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. *Id.*

Attachment B. The instant contract has been assigned Docket No. CP2013-5.

Request. To support its Request, the Postal Service filed six attachments as follows:

- Attachment A—a redacted copy of Governors’ Decision No. 11-6, authorizing the new product;
- Attachment B—a redacted copy of the contract;
- Attachment C—proposed changes to the Mail Classification Schedule competitive product list with the addition underlined;
- Attachment D—a Statement of Supporting Justification as required by 39 CFR 3020.32;
- Attachment E—a certification of compliance with 39 U.S.C. 3633(a); and
- Attachment F—an application for non-public treatment of materials to maintain redacted portions of the contract and related financial information under seal.

In the Statement of Supporting Justification, Dennis R. Nicoski, Manager, Field Sales Strategy and Contracts, asserts that the contract will cover its attributable costs, make a positive contribution to covering institutional costs, and increase contribution toward the requisite 5.5 percent of the Postal Service’s total institutional costs. *Id.* Attachment D at 1. Mr. Nicoski contends that there will be no issue of market dominant products subsidizing competitive products as a result of this contract. *Id.*

¹ Request of the United States Postal Service to Add Priority Mail & First-Class Package Service Contract 1 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors’ Decision, Contract, and Supporting Data, October 17, 2012 (Request).

Related contract. The Postal Service included a redacted version of the related contract with the Request. *Id.* Attachment B. The contract is scheduled to become effective on the first business day after the date that the Commission issues all regulatory approvals. *Id.* at 3. The contract will expire 3 years from the effective date unless, among other things, either party terminates the agreement upon 30 days' written notice to the other party. *Id.* The Postal Service represents that the contract is consistent with 39 U.S.C. 3633(a). *Id.* Attachment D.

The Postal Service filed much of the supporting materials, including the related contract, under seal. *Id.* Attachment F. It maintains that the redacted portions of the contract, customer-identifying information, and related financial information, should remain confidential. *Id.* at 3. This information includes the price structure, underlying costs and assumptions, pricing formulas, information relevant to the customer's mailing profile, and cost coverage projections. *Id.* The Postal Service asks the Commission to protect customer-identifying information from public disclosure indefinitely. *Id.* at 7.

II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2013-5 and CP2013-5 to consider the Request pertaining to the proposed Priority Mail & First-Class Package Service Contract 1 product and the related contract, respectively.

Interested persons may submit comments on whether the Postal Service's filings in the captioned dockets are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642, 39 CFR 3015.5, and 39 CFR part 3020, subpart B. Comments are due no later than October 25, 2012. The public portions of these filings can be accessed via the Commission's website (<http://www.prc.gov>).

The Commission appoints James F. Callow to serve as Public Representative in these dockets.

III. SUPPLEMENTAL INFORMATION

Contract Term I.E. indicates that the customer can request the use of Package Intercept service at a negotiated rate. The Postal Service's workpapers do not take into account the customer's ability to use Package Intercept service for a negotiated rate in demonstrating that the contract will cover its attributable cost.

Please provide revised supporting workpapers that demonstrate that the contract as a whole will cover its attributable cost taking into account the customer's ability to use Package Intercept service at a negotiated rate. Response to the supplemental information request is due no later than October 24, 2012.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket Nos. MC2013-5 and CP2013-5 to consider the matters raised in each docket.
2. Pursuant to 39 U.S.C. 505, James F. Callow is appointed to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in these proceedings.
3. Comments by interested persons in these proceedings are due no later than October 25, 2012.
4. Response to the supplemental information request is due no later than October 24, 2012.

5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams
Acting Secretary